

Idaho Legislative Audits
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Idaho School for the Deaf and the Blind

Management Report on Internal Control

Issued: October 23, 2003
Fiscal Year: 2001 and 2002



EXECUTIVE SUMMARY LEGISLATIVE AUDITS

IDAHO SCHOOL FOR THE BLIND AND THE DEAF

PURPOSE AND SCOPE. In planning and making our audit of the statewide basic financial statements, we performed certain audit procedures to evaluate the effectiveness of the Idaho School for the Deaf and the Blind's internal control design and operation. Consequently, the limited scope of our procedures does not allow us to give an opinion on the School's internal control system. Accordingly, we do not express an opinion or ensure that all instances of internal control weaknesses were disclosed.

Our purpose was to indicate where internal controls could be strengthened to help ensure accurate financial statements and data. This evaluation, together with other evaluations and various audit procedures applied at other agencies, allows us to express an opinion on the statewide basic financial statements prepared by the State Controller's Office.

CONCLUSION. The three findings and recommendations noted as a result of applying the audit procedures described above, if addressed, would improve and strengthen the School's internal control structure and operating efficiency. These matters are discussed in the findings and recommendations section of this report.

FINDINGS AND RECOMMENDATIONS. We have summarized the findings and recommendations below. The recommendations are made to assist management in fulfilling its responsibility to establish and maintain adequate internal controls.

FINDING #1. The School discontinued the development of an information technology project after expending \$80,000.

The School began the design and implementation of a course delivery system project in September 2001 called "Optischool." However, the Optischool system was never implemented. The State Board of Education directed the School to stop the project after noting that the project was not properly developed. As of June 2003, the School had spent more than \$80,000 on the project, when estimated costs were \$20,000.

To reduce the risk of information technology project failures in the future, the School must complete proper planning, analysis, and documentation. The School should also obtain approval of such projects from the State Board of Education and the Department of Administration's Information Technology Resource Management Council (ITRMC).

We recommend that before proceeding with any further information technology projects, the School implement good project development methodology. One way to ensure good project development

procedures is by contacting the Legislative Services Office and requesting a copy of the Key Features to Avoiding the Risk of IT System Development Challenges and Failures in the State of Idaho. We also recommend that the School get project approval from the State Board of Education and ITRMC.

FINDING #2. About \$10,500 from the sale of School-owned vehicles and furniture was not deposited into the School's operating fund.

The School gave surplus vehicles and furniture to the Idaho State School for the Deaf and Blind Foundation. The Foundation later sold the vehicles and furniture and deposited the proceeds into the Foundation's bank account. As explained below, the School may not have complied with State surplus disposal regulations and laws.

- The net proceeds from the sale of the vehicles and furniture (about \$10,500) were deposited into the Foundation's bank account instead of into the School's operating fund, as required by Idaho Code.
- There was no evidence that the School notified other public entities that the vehicles were available for sale, as required by State Board of Examiners.
- Seven vehicles were sold to employees of the School; this may not comply with the State Board of Examiners' policies that prohibit employees from acquiring surplus property from the agency that employs them.

We recommend that the School obtain the net sale proceeds from the Foundation and deposit the money into the School's operating fund. We also recommend that the School comply with all applicable laws and policies when disposing of surplus property in the future.

FINDING #3. Some accounting procedures do not adequately ensure accurate financial data and compliance with State laws and regulations.

The School's accounting system is generally adequate; however, there are some procedures that should be strengthened to ensure accurate financial information and compliance with laws and regulations. The following explains some procedures that need to be improved:

- Supervisors do not complete travel vouchers as required by Idaho Code, Section 67-2006 and State travel regulations.
- Expenditure transactions are not always approved by supervisors and employee moving expenses were reimbursed without approval from the State Board of Examiners.
- Employees' time worked was not always reported accurately because the School ignored fractional hours reported by employees.

We recommend that the School implement procedures to help strengthen internal controls, ensure accurate financial information, and ensure compliance with State laws and regulations.

PRIOR FINDINGS AND RECOMMENDATIONS. There were no findings and recommendations in the prior report.

AGENCY RESPONSE. The staff at the School for the Deaf and the Blind have reviewed the report and are in general agreement with its contents. The School's complete response to each finding is included in the Findings and Recommendation section of the full report.

FINANCIAL SUMMARY. Although an opinion is not given on the financial data presented in this report, one is given on all State funds in the statewide Comprehensive Annual Financial Report that includes the financial data presented here.

Idaho School for the Deaf and the Blind - Financial Statement

Fiscal Year 2001

	General Fund 0001	Federal Fund 0348	Miscellaneous Fund 0349	Endowment Earnings Fund 0481	Student Accounts
Beginning Balance/Appropriation	\$6,758,305	\$27,372	\$42,506	\$101,973	\$25,601
Beginning Encumbrances	0	0	0	76,386	0
Receipts/Transfers	21,384	123,610	76,335	151,278	27,826
Total Available	\$6,779,689	\$150,982	\$118,841	\$329,637	\$53,427
Less: Disbursements					
Personnel Costs	\$5,234,423	\$9,919	\$0	\$0	\$0
Operating Expenditures	1,083,962	106,138	23,761	87,606	0
Capital Outlay	301,299	7,540	40,590	109,894	0
Withdrawals	0	0	0	0	22,723
Total Disbursements	\$6,619,684	\$123,597	\$64,351	\$197,500	\$22,723
Ending Encumbrances	72,049	0	0	0	0
Ending Balance	\$ 87,956	\$27,385	\$54,490	\$132,137	\$30,704

Fiscal Year 2002

	General Fund 0001	Federal Fund 0348	Miscellaneous Fund 0349	Endowment Earnings Fund 0481	Student Accounts
Beginning Balance/Appropriation	\$6,988,616	\$27,385	\$54,490	\$132,137	\$30,704
Beginning Encumbrances	72,049	0	0	0	0
Receipts/Transfers	6,935	116,015	84,643	156,972	29,928
Total Available	\$7,067,600	\$143,400	\$139,133	\$289,109	\$60,632
Less: Disbursements					
Personnel Costs	\$5,731,980	\$12,981	\$1,187	\$0	\$0
Operating Expenditures	1,027,610	80,141	46,539	57,092	0
Capital Outlay	308,010	34,628	10,591	39,895	0
Withdrawals	0	0	0	0	28,396
Total Disbursements	\$7,067,600	\$127,750	\$58,317	\$96,987	\$28,396
Ending Balance	\$0	\$15,650	\$80,816	\$192,122	\$32,236

OTHER ISSUES. In addition to the findings and recommendations, we discussed other, less important issues which, if changed, would improve internal control, ensure compliance, or improve efficiency.

This report is intended solely for the information and use of the Idaho School for the Deaf and the Blind and the Idaho Legislature and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the cooperation and assistance given us by the superintendent, Dr. Angel Ramos, and his staff.

QUESTIONS CONCERNING THIS DOCUMENT SHOULD BE DIRECTED TO:

Ray Ineck, CGFM, Supervisor, Legislative Audits

Thomas Haddock, CPA, CGFM, Managing Auditor

For a copy of the entire audit report , contact Legislative Services Office, Audit Division, State Capitol Building, 700 W. Jefferson Street, P.O. Box 83720, Boise, Idaho 83720-0054, or call 208-334-3540.
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